

Message Text

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E.O. 11652: GDS
TAGS: UNESCO, AORG, ABUD
SUBJECT: UNESCO: ACTION PROGRAM FOR IMPROVED U.S.
PARTICIPATION IN INTERNATIONAL ORGANIZATIONS

REF: MR. MAYNES' MEMO OF MARCH 20, L978

SUMMARY: FOLLOWING REMARKS ARE PERM DEL'S SUGGESTIONS
FOR ISSUE CATEGORY TWO: FINANCIAL/ADMINISTRATIVE
SUPPORT. END SUMMARY.

1. UNESCO OPERATES ON A BIENNIAL BUDGET CYCLE, WITH
APPROVAL OF A BUDGET BEING GIVEN BY THE GENERAL
CONFERENCE IN EVEN NUMBERED YEARS, AND INTENSIVE
PREPARATION TAKING PLACE IN ODD NUMBERED YEARS.
ALTHOUGH A MEMBER STATE IS AT LIBERTY TO SUBMIT ITS
VIEWS ON BUDGET TO THE DIRECTOR GENERAL AT ANY TIME,
THE FIRST FORMAL OCCASION FOR DOING SO IS AT A
GENERAL CONFERENCE. THUS, AT THE 20TH SESSION OF THE
GENERAL CONFERENCE, OCTOBER-NOVEMBER 1978, THE U.S.
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WILL BE ABLE TO MAKE FORMAL STATEMENTS OF ITS VIEWS
ON THE PROPER CONTENT AND LEVEL OF THE PROGRAM AND
BUDGET FOR 1981-82. STARTING EARLY IN 1979, THE
SECRETARIAT WILL BEGIN PLANNING THE 1981-82 BUDGET,
TAKING GUIDANCE FROM THE STATEMENTS MADE BY DELEGATES
TO THE 20TH GENERAL CONFERENCE. AT THE EXECUTIVE
BOARD SESSIONS IN MAY AND SEPTEMBER 1979, THERE WILL

BE FURTHER OPPORTUNITIES FOR FORMAL STATEMENTS ON THE CONTENT OF THE 1981-82 PROGRAM AND THE LEVEL OF THE BUDGET. THE DIRECTOR GENERAL MAY ALSO ELECT TO SEND QUESTIONNAIRES TO MEMBER STATES CONCERNING THE BUDGET.

2. THE DRAFT 1979-80 BUDGET HAS BEEN COSTED ON THE BASIS OF A CONSTANT DOLLAR RELATED TO THE PERIOD 1977-78, AND A RATE OF EXCHANGE OF 4.90 FRENCH FRANCS TO THE DOLLAR. THIS GIVES A LEVEL OF \$275 MILLION. WHEN THIS IS ADJUSTED TO THE RATE OF EXCHANGE THAT IS FORSEEABLE IN SEPTEMBER, THE BUDGET LEVEL PROBABLY WILL RISE TO \$290 MILLION. THE U.S. SHARE IS 25, WHICH WILL PLACE OUR ASSESSMENT AT \$36,250,000 FOR EACH OF THE CALENDAR YEARS 1979 AND 1980.

3. VERY LITTLE OF UNESCO'S BUDGET FALLS WITHIN THE PROSCRIBED CATEGORIES. IF THE BASIS FOR DETERMINING WHAT IS UNACCEPTABLE (TECHNICAL ASSISTANCE OR TECHNICAL COOPERATION) IS THE USE OF UNESCO'S OWN FUNDS FOR CARRYING OUT OPERATIONAL PROGRAMS IN MEMBER STATES, THEN BETWEEN L 1/2 AND 4 COMES UNDER THIS HEADING. THIS IS PROBABLY AN IRREDUCIBLE MINIMUM, AND IT IS NOT LIKELY TO BE A PROFITABLE USE OF OUR EFFORT TO ATTEMPT TO GET IT DOWN ANY FURTHER. THERE IS, OF COURSE, SOME UNCERTAINTY IN HOW WE DEFINE THE PROSCRIBED CATEGORIES.

4. SINCE 1979 IS AN OFF YEAR FOR THE ADOPTION OF A BUDGET, THERE WILL BE NO MAJOR ISSUES UP FOR DECISION, LIMITED OFFICIAL USE

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BUT WE WILL COMMENT ON THE ITEMS LISTED ON PAGE 4 OF ATTACHMENT 1 TO MR. MAYNES' MEMO IN ORDER TO ILLUSTRATE HOW THESE ISSUES APPEAR IN UNESCO:

A. OVERALL BUDGET GROWTH WILL CERTAINLY CONTINUE IN 1978, WITH THE ADOPTION OF A \$290 MILLION BUDGET FOR THE 1979-80 BIENNIAL. THIS COMPARES WITH A \$224 MILLION BUDGET FOR THE 1977-78 BIENNIAL.

B. UNESCO FEELS THAT THE OVERHEAD EXPENSE PERCENTAGE IT RECEIVES FROM UNDP DOES NOT TRULY COVER THE COSTS. THIS IS A MURKY AREA, AND THE FIGURES AND JUSTIFICATION FOR THIS BELIEF ARE NOT SUCH AS TO CLEARLY PROVE THE POINT. UNESCO, HOWEVER, HAS NOT MADE THIS A MAJOR ISSUE.

C. THE CASH FLOW PROBLEM IN UNESCO RESULTS ENTIRELY FROM THE U.S. FAILURE TO PAY ITS ASSESSMENTS IN FULL AND ON TIME. WE ARE CURRENTLY IN ARREARS \$10 MILLION ON OUR CY 1977 ASSESSMENT, AND HAVE PAID NOTHING ON OUR CY 1978 ASSESSMENT. HOWEVER, IF THE FY 1978 SUPPLEMENTAL AND FY 1979 REGULAR STATE DEPARTMENT BUDGET REQUESTS GO THROUGH AS THEY NOW ARE, WE WILL GET

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CY 1978 ASSESSMENT OF \$27 MILLION. SUBJECT TO THE CONCURRENCE OF OMB AND TREASURY, THIS MONEY COULD ALL BE PAID TO UNESCO BY DECEMBER 31, 1978, PUTTING UNESCO IN AN EXCELLENT CASH FLOW POSITION FOR 1979. IF WE GET THE APPROXIMATELY \$30 MILLION IN THE FY 1979 REQUEST, THEN WE WILL BE ABLE TO PAY ON SCHEDULE FOR THE FIRST THREE QUARTERS OF CY 1979. WE WOULD WIND UP SHORT IN THE FOURTH QUARTER UNLESS, BY THAT TIME, WE HAD A SUPPLEMENTAL FOR AN ADDITIONAL \$6 MILLION THAT WE EXPECT WILL BE ASSESSED ON US. THE OUTLOOK AT THIS TIME IS THAT UNESCO WILL HAVE A GOOD CASH FLOW SITUATION THROUGHOUT MOST OF CY 1979.

D. CURRENCY FLUCTUATION IS A MATTER OF CONTINUING CONCERN TO UNESCO.. MOST OF ITS RECEIPTS ARE IN DOLLARS, BUT 65 OF ITS EXPENDITURES ARE IN FRENCH FRANCS. UNESCO RESPONDS TO THIS PROBLEM BY PUTTING A SEPARATE SECTION (VIII) IN ITS BUDGET SOLELY TO COVER THE EFFECTS OF CURRENCY FLUCTUATION. THERE IS A TOKEN

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AMOUNT OF \$500,000 IN THE DRAFT 1979-80 BUDGET, AND SHORTLY BEFORE THE GENERAL CONFERENCE CONVENES IN OCTOBER, THE DIRECTOR GENERAL WILL CALCULATE AS ACCURATELY AS POSSIBLE THE RATE OF EXCHANGE LIKELY TO BE IN EFFECT IN 1979-80. HE WILL THEN PUT A SINGLE LINE ITEM INTO PART VIII OF THE BUDGET TO COMPENSATE FOR ANY DIFFERENCE BETWEEN THAT FORECAST FIGURE, AND THE 4.90 RATE OF EXCHANGE ON WHICH THE DRAFT 1979-80 BUDGET WAS COSTED. THE RATE IN RECENT MONTHS HAS BEEN IN THE RANGE OF 4.50 TO 4.60. THE MONEY IN PART VIII WILL THEN BE ALLOCATED PRO RATA TO EACH FIGURE IN THE PROGRAM PARTS OF THE BUDGET AND THE ADMINISTRATIVE SUPPORT SECTORS.

E. UNESCO DEALS WITH INFLATION ON THE SEMI-FULL BUDGETING PRINCIPLE WHEREBY THERE IS A PROVISION FOR INFLATION IN THE FIRST YEAR OF THE BIENNIAL BUT NOT IN THE SECOND. INFLATION COSTS IN THE SECOND YEAR ARE SUPPOSED TO BE MET FROM SAVINGS RESULTING FROM INCREASED EFFICIENCY AND FROM PROGRAM EROSION. THE DRAFT 1979-80 BUDGET CONTAINS \$15,058,700 FOR INFLATION IN A BUDGET THAT TOTALS, INCLUDING THE INFLATION ACCOUNT, \$275,000,000

F. SALARY AND COST OF LIVING ADJUSTMENTS ARE LINKED TO UN AND OTHER OFFICIAL SCALES, AND THEY ARE AUTOMATICALLY ADJUSTED.

G. THE COST OF PUBLICATIONS AND DOCUMENTATION, ALTHOUGH ALWAYS A SOURCE OF CONCERN TO MEMBER STATES, IS NOT A MAJOR ISSUE.

H. UNESCO HAS JUST COMPLETED A MAJOR OFFICE CONSTRUCTION PROJECT, AND HAS NO ACTIVE PLANS FOR ANY FURTHER BUILDINGS AT THIS TIME. IT IS UNLIKELY THAT ANY WILL BE PROPOSED DURING 1979.

I. TRAVEL COSTS ARE A CONTINUING, BUT NOT A MAJOR, LIMITED OFFICIAL USE

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SOURCE OF CONCERN.

J. UNESCO HAS SIX WORKING LANGUAGES: ENGLISH, FRENCH, SPANISH, RUSSIAN, CHINESE AND ARABIC. THE INCREASED USE OF SPANISH IN 1979-80 WILL COST \$829,950 AND THE INCREASED USE OF ARABIC WILL COST \$125,000 OVER 1977-78. THE UNITED STATES AGREED TO BOTH OF THESE INCREASES AT THE 19TH GENERAL CONFERENCE. THERE ARE NO IMMEDIATE PRESSURES FOR ADDITIONAL LANGUAGES, ALTHOUGH THERE ARE NASCENT PRESSURES FOR THE USE OF AN AFRICAN LANGUAGE BY THE YEAR 2000. TORRES

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